GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:1790
ANSWERED ON:10.12.2004
MID TERM REVIEW
Saradgi Shri Iqbal Ahmed

Will the Minister of FINANCE be pleased to state:

(a) whether the Reserve Bank of India has decided to have a mid-term review of the annual policy statement for 2004-05;

(b) if so, whether this review of new credit policy will ease the guidelines to include a larger canvas of borrowers; and

(c) if so, the details of the same?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM)

(a), (b) and (c): The Reserve Bank of India (RBI) brings out a Mid-Term Review of the Annual Policy Statement every year. The Mid-Term Review for the year 2004-05 was released by the RBI on October 26, 2004. The Mid-Term Review has announced a number of measures to improve credit delivery. These measures, inter-alia, include the following:

(i) Service area approach for delivery of credit to the farm sector has been dispensed with,

(ii) Increase in the limit on advances under priority sector for dealers in agricultural machinery from Rs. 20 lakh to Rs. 30 lakh and for distribution of inputs for allied activities from Rs. 25 lakh to Rs. 40 lakh,

(iii) Banks to increase their disbursements to small and marginal farmers to 40 per cent of their direct advances under special agricultural credit plans by March 2007,

(iv) Extension of the mechanism of special agricultural credit plans to private sector banks from 2005-06. Private sector banks urged to target an annual growth of at least 20-25 per cent in their credit to agriculture,

(v) Enhancement of composite loan limit for small scale industries from Rs. 50 lakh to Rs. 1 crore,

(vi) Direct finance by banks for housing up to Rs. 15 lakh to be treated as priority sector lending.

The above measures are expected to result in higher credit disbursal to agriculture and other sectors of the economy.